

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201501021**

Release Date: 1/2/2015

Date: October 10, 2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

B= church name

**UIL:**

4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

**Description of your request**

You will provide scholarships to students who are members of B. To be eligible, the applicant must be:

- a church member in good standing who plans to attend, or are attending, a school of divinity
- a church member in good standing who is an undergraduate under the age of 23 (at the time of the application deadline), who is attending an institution of higher learning, or

- a high school senior in good standing who has firm plans to attend an institution of higher learning.

Members in good standing are those who have received Holy Communion in B at least three times during the preceding year and have been faithful in corporate worship, unless for good cause prevented, working, praying, and giving for the spread of the Kingdom of God. If the applicant is unable to meet this requirement, parent(s) of the applicant must be member(s) in good standing. Higher learning qualified schools includes vocation schools, trade schools, universities, and colleges.

Your scholarship is advertised in the spring each year through announcements in the weekly church bulletin insert and announcements from the pulpit. Applicants must submit an application that contains the following information:

- The student's institution of higher learning and major course of study.
- The student's goals and how your scholarship will help to achieve them.
- The student's involvement with the church and how this shaped him/her as a person
- A copy of the most recent academic transcript, manuscripts, or grade report. Students on academic probation are not eligible.
- Two letters of recommendation; one from a recent teacher, counselor/student advisor.

Your scholarship committee is made up of four church members and one non-parish person. Each year your trustee advises the committee of the amount of funds available to be awarded as scholarships. The members of the committee review the applications and rank students based on good standing at the church, as well as their attendance at a school of divinity. The committee then submits their recommendations, regarding applicants selected and amount, to your trustee who makes the final selections and determination. Seminary students are to be given priority. To ensure this provision is met, there is no age limit for seminarians since a large number of individuals now attend schools of divinity after the age of 22. All scholarships are awarded on an objective and non-discriminatory bases. No scholarship may be awarded to any disqualified person as defined in Code Section 4946.

You pay the award directly to the university/college the recipient(s) will attend. You provide a letter to each university/college specifying acceptance of the funds constitutes their agreement to notify you and refund any unused portion of the scholarship if a recipient fails to meet any terms or condition of the scholarship. If the university/college will not agree to such terms you will obtain the needed reports and grade transcripts from the scholarship recipient(s). Your scholarships are not renewable.

You represent that you will complete the following:

- arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,

- investigate diversion of funds from their intended purposes, and
- take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and
- withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You will maintain all records relating to individual grants including information obtained to evaluate grantees, identify if a grantee is a disqualified person, establish the amount and purpose of each grant, and that you undertook the supervision and investigation of grants described above.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

#### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.

- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations

Enclosures  
Form 872  
Redacted copy